Annual Report

# Hiram Walker-Consumers Home Ltd.

## Directors

Dr. G. C. A. Cook
Economic Consultant

Richard F. E. Cross[3]
Counsel, Cross, Wrock, Miller & Vieson

A. E. Downing[1]
Executive Vice President of the Company
President
Hiram Walker-Gooderham & Worts Limited

Charles T. Fisher III[1]
President, National Bank of Detroit

J. K. Grant[3]
President and Chief Executive Officer
The Quaker Oats Company of Canada Limited

G. C. Gray[2]
Chairman and Chief Executive Officer
A. E. LePage Limited

A. G. S. Griffin
Corporate Director

H. Clifford Hatch[1]
Chairman of the Company
Chairman
Hiram Walker-Gooderham & Worts Limited

H. Clifford Hatch, Jr.[1]
Executive Vice President of the Company
Vice President
Hiram Walker-Gooderham & Worts Limited

Senator H. W. Hays, P.C.[2]
Member of the Senate of Canada

R. S. Hurlbut[1,3]
Chairman and President
General Foods, Limited

H. N. R. Jackman[3,4]
Chairman, The Empire Life Insurance Co.

G. E. Jackson
Senior Vice President, Reed Stenhouse Limited

Joseph Jeffery[2]
Partner, Jeffery and Jeffery

Paul J. G. Kidd, Q.C.[4]
Retired, formerly Senior Vice President
Hiram Walker-Gooderham & Worts Limited

Allen T. Lambert[1,3,4]
Director and former Chairman
The Toronto-Dominion Bank

Orian Low, Q.C.
Corporate Director

P. L. P. Macdonnell, Q.C.[3,4]
Partner in the law firm Milner & Steer

W. D. C. Mackenzie[1,3]
President, Mackenzie Consultants, Ltd.

C. S. MacNaughton
Corporate Director

R. W. Martin[1]
Executive Vice President of the Company

A. M. McIntosh[1]
Executive Vice President of the Company
President, Home Oil Company Limited

F. H. Newman
Chairman and Chief Executive Officer
Newman Bros. Limited

Edmond G. Odette[2]
President, Eastern Construction Company Limited

Mrs. A. F. W. Plumptre[4]
Corporate Director

Arthur Ross Poyntz[2]
Director and former Chairman
The Imperial Life Assurance Company of Canada

John T. Sapienza
Partner in the law firm Covington & Burling

Robert C. Scrivener[1,3]
Corporate Director

Thomas Snelham*
Retired, formerly Senior Vice President
Hiram Walker-Gooderham & Worts Limited

Robert J. Tebbs
Senior Vice President
Hiram Walker-Gooderham & Worts Limited

Noah Torno[1,3]
Corporate Director

W. P. Wilder[1]
President and Chief Executive Officer
of the Company

1. Executive committee
2. Audit committee
3. Management resources committee
4. Pension committee
* Retired May 31, 1980

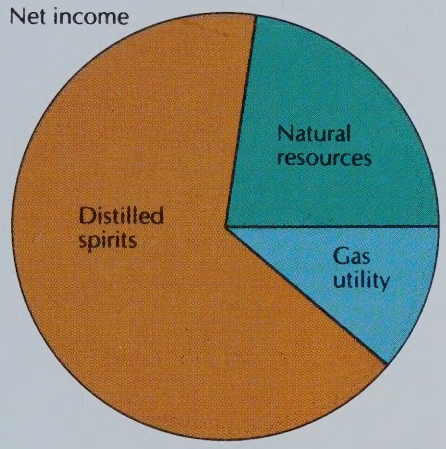
## Officers

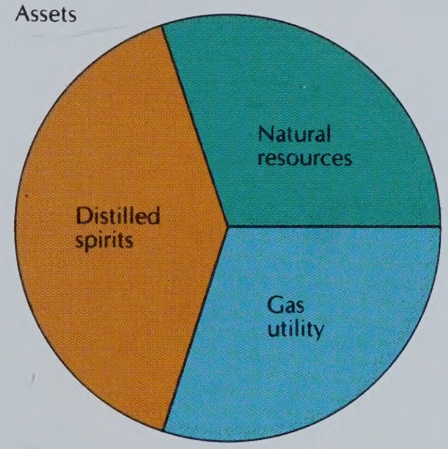
H. Clifford Hatch, Chairman of the Board
W. P. Wilder, President and Chief Executive Officer
A. E. Downing, Executive Vice President
H. Clifford Hatch, Jr., Executive Vice President
R. W. Martin, Executive Vice President
A. M. McIntosh, Executive Vice President
A. R. McCallum, Senior Vice President and Chief Financial Officer
A. L. Anderson, Vice President and Comptroller
B. F. MacNeill, Vice President and Treasurer
E. W. H. Tremain, Vice President and Secretary
W. R. Fatt, Assistant Treasurer and Assistant Secretary

## Financial highlights

| | 1980 | 1979 |
|---|---|---|
| Net income (millions of dollars) | **$239.5** | $177.2 |
| Net income per common share | **$ 3.18** | $ 2.56 |
| Net income per common share (fully diluted) | **$ 3.01** | $ 2.52 |
| Dividends per common share | **$ 1.32** | $ 0.88 |
| Funds from operations (millions of dollars) | **$364.8** | $231.1 |
| Revenues (billions of dollars) | **$ 2.6** | $ 2.1 |
| Assets (billions of dollars) | **$ 3.6** | $ 2.4 |

**Net income contribution and assets by business segments — 1980**




Corporate Profile: Hiram Walker-Consumers Home Ltd., with world-wide assets of $3.6 billion and revenues of $2.6 billion, is engaged in the distilled spirits, natural resource, and gas distribution businesses. The Company is the result of the bringing together in April of 1980 of Hiram Walker-Gooderham & Worts Limited with The Consumers' Gas Company and its wholly-owned subsidiary Home Oil Company Limited. Executive offices are located at Toronto, Ontario. The common shares of the Company are listed on several Canadian stock exchanges and on the New York Stock Exchange. As of September 30, 1980, the Company had 68,899,823 common shares, and 13,876,829 voting preference shares outstanding, held by 59,774 shareholders. Company records indicate that 87 per cent of its voting shares are owned by shareholders resident in Canada. The Company is incorporated under the laws of the Province of Ontario. The Company employs 11,700 people.

## To the shareholders

This annual report provides the first opportunity for detailed comment on the performance of the Company since Hiram Walker-Gooderham & Worts Limited combined its resources in April, 1980, with those of The Consumers' Gas Company and its wholly-owned subsidiary Home Oil Company Limited.

The financial results of the combined operations for the year ended September 30, 1980, were most satisfactory. Net income was $239.5 million or $3.18 per share. Funds from operations were $364.8 million and total revenues were $2.6 billion. Comparable figures for 1979 were: net income, $177.2 million or $2.56 per share; funds from operations $231.1 million; total revenues $2.1 billion.

The annual accounts reflect equity accounting for the investment in Home Oil Company Limited for the first three months of the fiscal year and on a consolidated basis since the acquisition of the balance of the shares of Home Oil in December, 1979.

Dividends for the period were $1.32 per share, representing a 41.5 per cent payout of earnings available to the common shareholders. Since each of the three businesses in which the Company is involved is capital intensive, any increase in dividends must be related to growth in earnings.

In the distilled spirits segment, higher selling prices for principal brands improved operating margins. Natural resource operations benefitted from increased oil and natural gas prices. The earnings contribution from the utility operation declined as a result of significantly warmer weather, continued customer conservation and increased borrowings at higher interest rates.

Additional comments on the financial results and on operating highlights of the individual businesses are provided elsewhere in this report.

**Outlook.** The combination of the businesses of the three operating entities is founded upon a shared objective of creating a significant position in the North American energy industry. The group will benefit not only from the potential for growth in the distilled spirits and the natural gas distribution businesses, but its financial strength will enable it to participate in energy projects that might otherwise have exceeded the capabilities of the separate companies.

The Canadian portion of the Company's resource business suffered a setback with the announcement on October 28 of the federal government's budget and energy policy set forth in "The National Energy Program". At the very time the Canadian oil and gas industry needed the support of government to achieve self-sufficiency in oil, the new policies instead substantially decreased the amount of money available to the oil companies to bring on new supplies. The Program will promote government ownership of the industry and increase the government's share of oil revenue. The impact of the National Energy Program on Home Oil will be to substantially reduce earnings with a somewhat smaller reduction in cash flow from operations.

In Canada, the oil and gas industry continues to receive less than world price for oil, faces higher taxes, and lacks markets for natural gas. In the United States, the deregulation of prices, known revenue sharing arrangements between government and industry, and ready markets have combined to create a stable and attractive investment climate. The Company has one of the largest land positions of any Canadian company in the U.S. — 1.3 million net acres — as well as a modest but expanding production base. Exploration and production activity will be increased in the United States through grass roots development or acquisition, or by a combination of both.

In the distilled spirits segment, Hiram Walker-Gooderham & Worts is in a strong position to benefit from improved industry profit margins and a shift in product mix from the slower growth American whiskies to higher growth products such as liqueurs, cognacs, and Scotch whisky. While Canadian Club is expected to remain the Company's dominant brand, much of the growth in earnings will come from such brands as Kahlua Liqueur, Courvoisier Cognac, Ballantine's Scotch and the Hiram Walker line of cordials and liqueurs.

The Consumers' Gas Division, backed by Canada's secure and abundant supplies of natural gas, and positioned in a large franchise area, looks forward to excellent long-term prospects for growth in earnings. In recent years, while customers continued to be added, natural gas sales volumes have declined. This trend resulted from the

**H. Clifford Hatch, Chairman, left, and W. P. Wilder, President and Chief Executive Officer**

combination of higher prices and customer conservation, as well as from the loss of sales for the generation of electrical power. However, continued conversion by customers from oil to gas in the residential sector, coupled with the prospects of a rate increase now being considered by the regulatory authorities, should permit much needed revenues to meet mounting interest costs and thereby provide a more satisfactory return on the growing investment in the utility.

**Corporate developments.** Shareholders are being asked to consider and vote upon a proposed reorganization of the corporation at shareholder meetings to be held on February 4, 1981. The objective is to establish a holding company, named Hiram Walker Resources Ltd., which would own the shares of subsidiary companies carrying on the three distinct businesses. A detailed description of the reorganization is set forth in the information circular and proxy statement that accompanies this report.

The corporation proposes to make available an optional stock dividend and dividend reinvestment plan. Details of this plan are also provided in the information circular and proxy statement.

On April 8, 1980, J. Douglas Gibson retired as Chairman of the Board of The Consumers' Gas Company. Mr. Gibson served Consumers' as a Director since 1966 and as its chairman since 1973. In addition, on May 31, 1980, Thomas Snelham retired as a Director of the Company. Mr. Snelham was Senior Vice President of Hiram Walker for many years and a Director since 1966. The Board extends to both its appreciation for their valuable contribution and counsel.

Two directors, W. D. C. Mackenzie and C. S. MacNaughton, will not stand for reelection. The Board extends to these directors its appreciation as well. The Board takes pleasure in welcoming S. G. Olson, formerly President and Chief Executive Officer of Hudson's Bay Oil and Gas Company Limited, who has agreed to stand for election as a director.

The diligence and capability of the employees of the Company are reflected in the results for the year. The Directors extend to them their appreciation for a job well done.

Submitted on behalf of the Board of Directors

H. Clifford Hatch
Chairman

W. P. Wilder
President and Chief Executive Officer

November 19, 1980


**Principal manufacturing locations**

- A Walkerville
- B Kelowna
- C Peoria
- D Burlingame
- E Mexico
- F Buenos Aires
- G Scotland
- H France

**Principal brands**

Canadian Club
Walker's Special Old

Walker's DeLuxe Bourbon
Ten High Bourbon
Hiram Walker Cordials

Ballantine's Scotch Whisky
Old Smuggler Scotch Whisky

Kahlua
Courvoisier
Drambuie

"The Best In The House"®
IMPORTED
BY APPOINTMENT TO THE LATE QUEEN VICTORIA 1898 1901
BY APPOINTMENT TO THE LATE KING EDWARD VII 1901 1910
BY APPOINTMENT TO THE LATE KING GEORGE V 1910 1936
BY APPOINTMENT TO THE LATE KING GEORGE VI 1936 1952
ESTABLISHED 1858
HIRAM WALKER & SONS LIMITED
DISTILLERS OF "CANADIAN CLUB" WHISKY
"Canadian Club"
C.C.
Blended Canadian Whisky
Distilled and Bottled under
Canadian Government Supervision by
Hiram Walker & Sons,
Limited
Walkerville, Ontario, Canada.
TRADEMARKS AND LABEL STYLE REG U.S PAT OFF BY HIRAM WALKER & SONS INC
IMPORTED IN BOTTLE BY HIRAM WALKER IMPORTERS INC., DETROIT, MICH.
THIS WHISKY IS 6 YEARS OLD.
86.8 U.S. PROOF

A. E. Downing
President, Hiram Walker - Gooderham & Worts Limited

**Corporate background.** The historical roots of Hiram Walker-Gooderham & Worts Limited go back to 1832 when a site was selected in Toronto for the establishment of Canada's first distillery by Gooderham & Worts Limited. A major step was taken in the mid 1920's when Gooderham & Worts was brought together with Hiram Walker and Sons Limited of Walkerville, Ontario, a move that permitted the combined companies to grow rapidly with the repeal of prohibition in the United States in 1933. Hiram Walker now ranks as one of the world's largest distillers. Products manufactured in Canada, the United States, Scotland, France, Mexico, and Argentina are marketed throughout the world. In addition, Hiram Walker markets in both Canada and the United States, brands produced by non-affiliated companies located primarily in Europe. Hiram Walker has a 53 per cent voting interest in Corby Distilleries Limited which, in turn, wholly owns Meagher's Distillery Limited. Hiram Walker employs 7,300 people.

**Marketing.** International sales are an important and growing part of Hiram Walker's business. About 58 per cent of the Company's products by volume are sold in the United States, 16 per cent in Canada and the remaining 26 per cent in Europe and elsewhere.

**United States.** In the United States, industry sales of wines, white goods (particularly rum and vodka) and cordials and liqueurs have experienced strong growth in recent years. On the other hand, sales of bourbon and American blended whiskies have been decreasing.

Canadian whiskies represent about one-quarter of the total whisky business in the United States. Canadian Club remains among the top five brands of all spirits sold and other Canadian whiskies bottled in the United States such as Royal Canadian, Walker's Special Canadian and Gooderham's Rich and Rare continued to make good progress during the year.

**Canadian Club is the largest selling brand in Canada and ranks among the top five in the United States.**

Hiram Walker is strongly represented in the growing cordial and liqueur markets. Domestic cordials, marketed nationally under the Hiram Walker name, continue to be the largest selling line in the United States with annual sales well in excess of one million cases. Sales momentum is enhanced by the regular introduction of new products, including Hiram Walker's Amaretto and Cognac, and the aggressive marketing of traditional flavours, such as Peppermint Schnapps. The proprietary liqueur Praline, with a taste of the "Old South", continues to make satisfactory progress since its introduction in 1979.

Kahlua continues to outpace the industry as the largest selling liqueur in the United States. Because of its versatility, Kahlua enjoys wide appeal in the 20 to 44 year age group.

The Company also markets Tia Maria, Drambuie and Courvoisier Cognac, all of which made satisfactory progress during the year. Courvoisier is among the top brands in the cognac category and continues to outpace the market.

**Canada.** The trend in the United States towards increased consumption of wines, white goods, and cordials and liqueurs is also evident in the Canadian market.

Through the regular introduction of new products, such as Hiram Walker's Swiss Chocolate Almond, the Company has been able to achieve an increased share of business. The position is maintained through the marketing of a limited line of Hiram Walker liqueurs and a full line of liqueurs under the Meagher brand.

Kahlua, Tia Maria, Courvoisier and

Drambuie, coupled with additional brands sold on the behalf of others, place Hiram Walker in a position of leadership in the importation of liqueurs.

Whisky represents almost one-half of all distilled spirits sold in Canada, with Canadian whiskies dominating the class. Canadian Club enjoys the position of being the largest selling brand in Canada, regardless of category.

Wiser's DeLuxe, marketed by Corby Distilleries, as well as other brands, such as Hiram Walker's Special Old, account for a significant share of the Company's whisky business.

Ballantine's Scotch is in second place among all Scotch whiskies sold in Canada.

**International.** The two international categories with the greatest potential are Scotch whisky and Cognac and Hiram Walker has strong representation in each.

During the 70's, Ballantine's consistently outpaced the market, eventually achieving first place in many important European Scotch whisky markets. Although the recession has curtailed progress, the brand continues to improve its market share. Sales of Courvoisier Cognac, another leading seller, are also expected to resume more rapid growth with an improvement in economic conditions.

**Production.** Hiram Walker distils, matures, blends and bottles at fully-integrated plants in Canada, the United Kingdom and Argentina. The major facilities are located in Walkerville and Corbyville, Ontario; Kelowna, British Columbia; Dumbarton, Scotland; and Buenos Aires, Argentina. The combined daily capacity of all Hiram Walker's distilleries is approximately 280,000 U.S. proof gallons. In addition, Hiram Walker matures, blends and bottles cognac at Jarnac and Cognac, France, manufactures Kahlua at Mexico City, and operates a blending and bottling plant at Burlingame, California. Daily bottling capacity of all Hiram Walker facilities is approximately 117,000 cases.

In the United States, the Company is undertaking a major restructuring of facilities in response to the trend in market preference from the consumption of bourbon and American blended whiskies to the increased consumption of cordials. In May, 1980, the distillery portion of the fully-integrated facility at Peoria, Illinois, was sold. As the result of the sale, the Company no longer distils in the United States, but contracts with independent distillers for the distillation and aging of bourbon and American blended whiskies in accordance with Hiram Walker specifications. The new method of operation is expected to result in cost savings in the production of these products.

During the year, construction also started on a plant at Fort Smith, Arkansas, to blend and bottle cordials. The plant, which will cost $53 million, will have a daily capacity of 6,500 cases. Upon its completion in mid 1981, the blending and bottling of cordials at the Company's Peoria facility will be discontinued.

In 1979, Hiram Walker began construction of a $63 million plant for bottling Scotch whisky at Dumbarton, Scotland, to complement a recently constructed blending, barrel dumping and filling facility at that location. The bottling plant is scheduled for completion late in 1982 and will increase daily bottling capacity from approximately 15,000 cases to 40,000 cases, thereby enabling Hiram Walker to reduce its dependence on outside bottlers.


**Kahlua is the largest selling liqueur in the United States.**

Exploration acreage

| Petroleum and natural gas leases and reservations<br>At September 30, 1980 | Gross | Net |
|---|---|---|
| Canada | | |
| Alberta | 5,874,068 | 1,798,744 |
| British Columbia | 2,170,489 | 442,531 |
| Saskatchewan | 1,081,292 | 810,312 |
| Other (includes offshore) | 17,315,781 | 1,339,702 |
| Total Canada | 26,441,630 | 4,391,289 |
| United States | 2,562,303 | 1,327,516 |
| International | 11,244,727 | 1,435,007 |
| Total | 40,248,660 | 7,153,812 |

| Gross wells drilled<br>Nine months ended September 30, 1980 | |
|---|---|
| Working interest wells | 268 |
| Net oil wells | 27 |
| Net gas wells | 29 |
| Net dry wells | 23 |


Crude oil and natural gas liquids
Daily average (thousands of barrels)
40
35
30
25
20
15
10
5
76
77
78
79
*80
Natural gas
Daily average (millions of cubic feet)
160
140
120
100
80
60
40
20
76
77
78
79
*80

## Natural resources

A. M. McIntosh
President, Home Oil Company Limited

**Corporate background.** Incorporated in 1929, Home Oil Company Limited now ranks as the fourteenth largest oil and natural gas production company in Canada. Exploration activities are conducted worldwide with particular emphasis in Canada and to a growing extent in the United States through its affiliate, Home Petroleum Corporation. Together, the companies employ 1,300 people.

**Highlights.** Exploration activities for the year ended September 30, 1980, were highlighted by oil or natural gas discoveries in Canada, the United States and in Indonesia. On the production side of the business, the Company made a significant entry to the Canadian conventional heavy oil business. Plans were continued for a tertiary recovery scheme in the Swan Hills oilfield that could add substantially to reserves.

**Exploration.** In Canada, which accounted for 74 per cent of exploratory and development drilling, two potentially significant gas discoveries were made in Alberta. The Home et al Sinclair well in the Beaverlodge area encountered 139 feet of net pay. The well, in which the Company's interest is 25 per cent, awaits production testing. The other discovery, at Wolf Creek, flowed gas at the rate of 9.8 million cubic feet per day with some condensate. Home's interest is 16⅔ per cent. The Company also participated in two oil discoveries, one at Irvine Creek on the southeast outskirts of Edmonton, the other in the Edson area, 150 miles west of Edmonton. Further evaluation is being undertaken.

In the United States, which accounted for 25 per cent of exploratory and development drilling, the Company participated in three oil discoveries, two of which were in North Dakota, the other in Oklahoma. When developed, the discoveries should add about 200 barrels of oil per day to Home Petroleum's production. A fourth oil discovery was made after the year end. The Stecker No. 1 well in Golden Valley County, North Dakota, flowed 320 barrels of oil per day on production test. The Company has a 50 per cent interest.

Internationally, the Company has a two per cent interest in an oil discovery in the Straits of Malacca in Indonesia that produced oil at 7,092 barrels per day. Additional wells to delineate the extent of similar pools in the area will be undertaken. Geophysical exploration continued in the central interior of Guyana with the intent of drilling in late 1981. Three wells are planned for 1981 in the Canning Basin of Western Australia. A seismic program to identify potential drilling sites began in the Agusan/Davao basin in the Philippines.

**Production.** For the nine months ended September 30, 1980, total Canadian and U.S. production of crude oil and natural gas liquids averaged 30,487 barrels per day compared with 31,094 barrels per day for the calendar year 1979. Acquisition of heavy oil producing interests and additional production from recently drilled oil wells was offset by the natural decline of production from older fields.

Sales of natural gas averaged 130 million cubic feet per day for the first nine months of 1980, compared with 137 million cubic feet per day for the calendar year 1979. Reduction of natural gas sales reflects a continuation of the over-supply situation.

Increased attention is being given to maximizing recovery from Home's existing oil properties, including the Company's largest field, Swan Hills, in north-western Alberta. If economics are favourable, an application will be made to the Alberta Energy Resources Conservation Board for

**The Company is directing increased attention to the United States, including the Gulf of Mexico, where two natural gas fields are coming on stream.**

* 1980 production is the daily average for nine months ended September 30. Prior years are the annual daily average.

permission to extract additional oil from the Swan Hills Unit No. 1 reservoir through the injection of gas solvents. Such a scheme could add in excess of 20 million barrels of oil to the Company's recoverable reserves. However, the project would involve a lead time of three years and would not add materially to the Company's production until 1985.

In the United States, substantial investments continued to be made in two major gas fields in the Gulf of Mexico. The High Island Block 561 project, in which Home Petroleum has a 15 per cent interest, is expected to commence operations in 1981. By 1983, production rates, net to Home Petroleum, should reach four million cubic feet of gas per day and 200 barrels of oil and condensate per day. In the Texas Northeast Chevron project, in which Home Petroleum has a 20 per cent interest, additional development work was also undertaken during the year. The Company's production share by the end of 1981 is expected to reach nine million cubic feet of gas per day and 250 barrels of oil and condensate per day.

**Reserves.** The Company's engineers estimate that gross proven Canadian and U.S. reserves of crude oil and natural gas liquids declined marginally from 122.7 million barrels at January 1, 1980, to 119.5 million barrels at September 30, 1980, as additions to reserves through development and exploration fell short of replacing production during the period. Additional oil reserves were added by development drilling in the Lloydminster area and the Fort St. John area of British Columbia, and extensive development drilling was undertaken to maintain oil production from the Swan Hills field.

Gross proven Canadian and U.S. reserves of natural gas decreased from 940.5 billion cubic feet at January 1, 1980, to 929.3 billion cubic feet at September 30, 1980, as additions to reserves were offset by production. The pace of drilling in Canada to prove up potential gas reserves discovered by exploration was retarded by a lack of marketing opportunities due to the oversupply of natural gas. Development drilling was carried on in the Company's older gas fields and new reserves were added through additional development drilling in the Gold Creek area of the Deep Basin in westcentral Alberta and the shallow gas area east of Edmonton.

In late 1979, the Company made a significant entry into the heavy oil business with the acquisition of about 1,000 barrels per day of heavy oil production and potential development lands in the Lloydminster area of Alberta. An experimental project was undertaken in the Leismer field in northeastern Alberta to investigate the production of heavy oil from the large reserves that cannot be produced by conventional methods. Additional steam stimulation pilot projects are planned in Leismer and in the Lloydminster area.

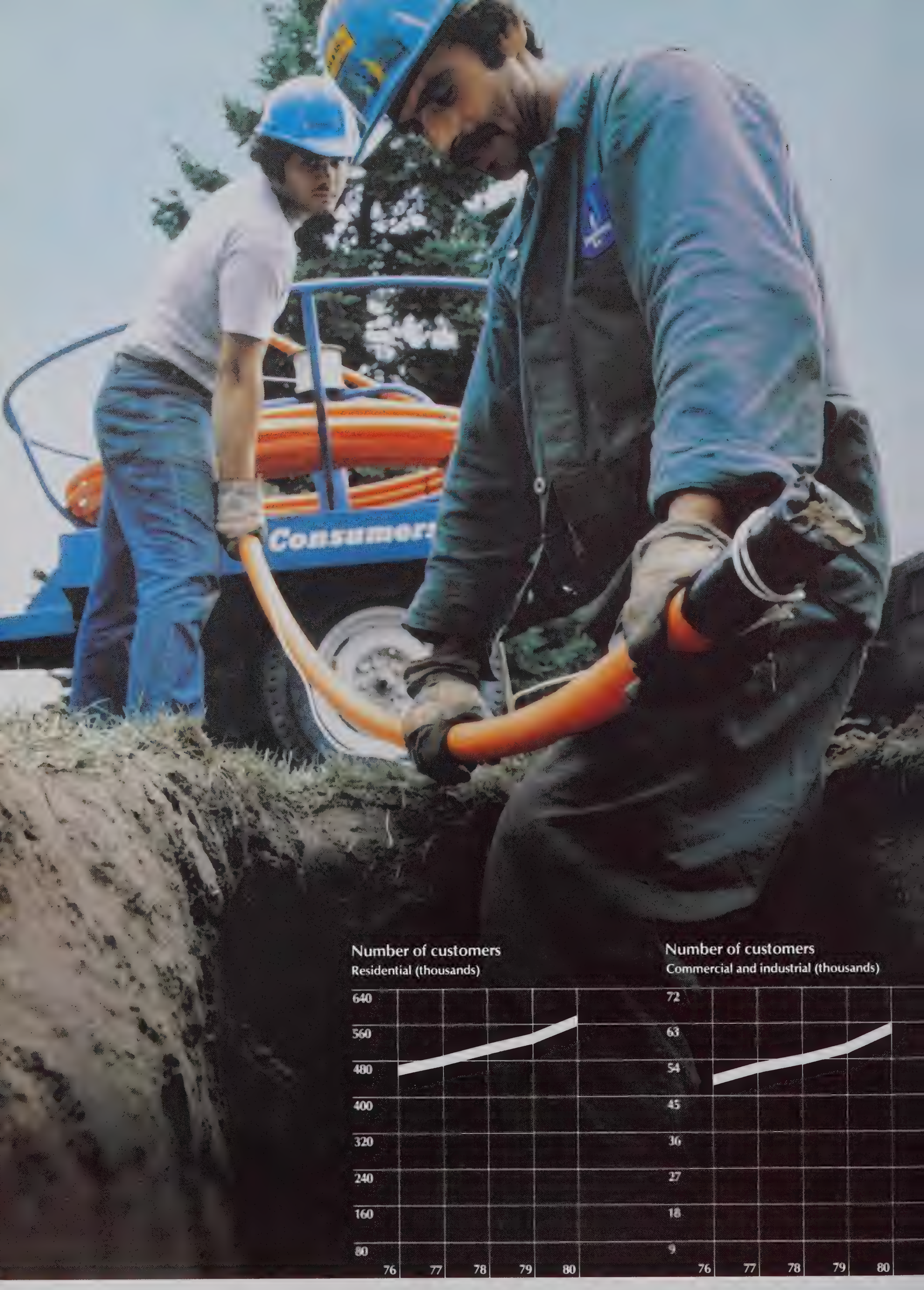
Development of a lease in the Athabasca tar sands was continued by Gulf Resources Canada Ltd. who are spending $42 million to earn an 83.75 per cent interest in the lease from Home and another company. Gulf completed a project involving an expenditure of $2.4 million during the year and expects to spend an additional $7.6 million during 1981 to delineate reserves and to investigate a commercial project. After Gulf has completed its commitment, Home will have a 10 per cent interest in the lease.

**Marketing and storage.** LPG marketing and storage revenues increased during the year, primarily from the strength of the butane market in the United States. In February of 1980, the Company purchased additional LPG underground storage capacity at Conway, Kansas. The acquisition increased Home Petroleum's total storage capacity from 10 million to 15 million barrels.

**Mining.** For the year ended September 30, 1980, the Company's silver/gold mine in Nevada milled marginally less ore than in the previous year, but higher yields per ton of ore processed increased silver production from 397,084 ounces to 481,191 ounces. Gold production at 9,002 ounces was slightly less than a year earlier. The benefit of underground development work now being carried out is expected to be reflected in improved operating performance.

Feasibility studies continued on the large Elk River metallurgical coal property in southeastern British Columbia. The Company has a 25 per cent interest, plus a royalty interest, in the property. Thermal coal markets in the Far East and Europe are being sought for a portion of the Company's Blairmore deposits in Alberta.


| Customer demand | 1976 | 1977 | 1978 | 1979 | 1980 |
|---|---|---|---|---|---|
| | | | (Billions of cubic feet) | | |
| Residential | 66 | 73 | 74 | 74 | 74 |
| Commercial and Industrial | 188 | 200 | 206 | 209 | 207 |
| Thermal Generation | 53 | 46 | 30 | 21 | 5 |
| Total | 307 | 319 | 310 | 304 | 286 |


Consumers
Number of customers
Residential (thousands)
640
560
480
400
320
240
160
80
76
77
78
79
80
Number of customers
Commercial and industrial (thousands)
72
63
54
45
36
27
18
9
76
77
78
79
80

**Corporate background.** Consumers' Gas was established in 1848 to distribute manufactured gas in the City of Toronto, with natural gas being introduced in 1955. Consumers' is now one of Canada's largest gas distribution utilities serving residential, commercial and industrial customers in communities in central and eastern Ontario, western Quebec and in northern New York State. The areas served in Ontario and Quebec have a population of over 4.6 million, more than 19 per cent of the total Canadian population. In addition to its gas distribution activities, Consumers' is engaged in natural gas production, primarily from wells located in Lake Erie, contract well drilling in Ontario and the northeastern United States, the operation of a major underground gas storage facility in southwestern Ontario, appliance merchandising and rentals, and international consulting. Consumers' employs 3,100 people.

**Gas supply.** Substantially all of Consumers' natural gas requirements are purchased under long term contracts with TransCanada PipeLines Limited. The major supply contracts provide for the delivery of up to 309 billion cubic feet of gas per year until 1995. In addition, supply contracts with TransCanada provide for the delivery of up to 9.6 billion cubic feet of gas per year to the Company's New York State gas distribution utility.

The federal government's National Energy Program introduced a natural gas tax effective November 1, 1980, of 30 cents per thousand cubic feet. This tax effectively increased the price of natural gas purchased by Consumers' to approximately $2.90 per thousand cubic feet. The National Energy Program also provides that the price of natural gas will increase at a lower rate than the price of oil over the next few years.

**Paced by residential conversions from oil to natural gas, the total number of customers served reached a record 631,000.**

**Marketing.** Increasing public awareness of natural gas as a secure, convenient and less costly source of energy contributed to an unprecedented demand for service during the year ended September 30, 1980. A record number of service additions brought the total number of customers served to 631,000 compared with 588,000 a year earlier. It is anticipated that customer additions will continue at high levels throughout the mid 1980's. The volumes of gas sold in 1980 amounted to 286.1 billion cubic feet compared with 303.6 billion cubic feet in 1979. Milder weather, continued customer conservation in all market sectors, a downturn in the economy, and a reduction of 16.0 billion cubic feet in deliveries to Ontario Hydro's R. L. Hearn Generating Station in Toronto more than offset the additional volumes resulting from the addition of new customers.

**R. W. Martin**
**Executive Vice President — Utility Operations**

**Residential.** Residential sales accounted for 25.8 per cent of total sales in 1980. The volume sold in this market increased by 0.2 billion cubic feet over last year. Of the heating addition customers signed, 29,136 were added from conversions from oil to natural gas, compared with 13,500 last year, and 17,411 resulted from new residential construction, compared with 19,453 a year ago. The Company continues to install natural gas in nearly 90 per cent of new homes constructed within its franchised areas.

The Company continued active support of research programs, through the Canadian Gas Research Institute, into the development of more energy efficient appliances.

**Commercial.** Sales in this market sector accounted for 35.5 per cent of total sales volumes in 1980. Customer additions totalled 5,686 compared with 3,200 in 1979. Of the

new customers in this category, 2,107 represented conversions from other fuels and 3,579 resulted from the selection of gas for use in new commercial buildings. Despite the dramatic increase in the number of commercial customers, gas sales at 101.7 billion cubic feet remained relatively unchanged from the 101.2 billion cubic feet in 1979.

**Industrial.** Sales in the industrial market, which accounted for 36.7 per cent of total sales volumes, were 105.1 billion cubic feet compared with 107.6 billion cubic feet in 1979. The primary competition in the industrial sector is provided by residual fuel oil which continued to be sold at unit prices designed to reduce surplus inventory levels. Growth in the small and medium sized portion of the commercial and industrial market sector is expected to continue through the 1980's and, while the large volume industrial market is relatively saturated, a moderate number of customer additions are anticipated in this market as well.

**Thermal generation.** Ontario Hydro has purchased natural gas for use at the Hearn generating station in Toronto since 1971. After peaking in 1975 at 61 billion cubic feet, sales have declined in each successive year, reflecting both a drop in electrical generating requirements and the low cost of imported coal, an alternate energy source for this customer. In 1980, sales totalled 5.6 billion cubic feet, or two per cent of total sales, compared with 21.4 billion cubic feet in 1979. Sales will be reduced further in 1981 and will amount to approximately 0.3 billion cubic feet annually.

**Merchandising.** The Company's appliance merchandising program, operated through a chain of company-owned retail stores and display centres, realized gross revenues of $10.9 million in 1980, compared with $10.6 million in 1979, despite an industry downturn in appliance sales.

**Regulation.** The rates charged by Consumers' for the supply of natural gas to customers in Ontario are subject to the approval of the Ontario Energy Board.

Over the last decade, rates charged to customers have risen significantly, primarily due to increases in the Company's cost of purchased gas. In addition, the impact of inflation on the cost of providing service has more than offset the significant productivity gains and economies of scale achieved by the Company.

On October 1, 1979, the Company was permitted to increase its rates to generate an additional $15.6 million in gross revenue based on a 1979 test year and on a determination that a fair and reasonable return on the Company's rate base was 10.34 per cent, including provision for a 14 per cent return on common shareholders' equity. Since October 1, 1979, the Ontario Energy Board has been asked to approve increases in rates totalling approximately 75 cents per thousand cubic feet to recover increases in the cost of purchased gas, including the federal excise tax on gas purchases of 30 cents per thousand cubic feet which will become effective in early 1981.

In June, 1980, the Company filed evidence to support a request for an additional rate increase to recover increases based upon the estimated cost, excluding gas purchase costs, of providing service through 1981. The application includes provision for a 15.5 per cent return on common shareholders' equity. Hearings have taken place to consider this request and the Company is awaiting the Board's decision. Based upon the current hearing, the Board appears to have responded to the need to remove "regulatory lag".

**Exploration.** Consumers' maintained an active exploration and development program in southwestern Ontario and Lake Erie during the year. The Company participated in 67 wells of which 23 were completed as commercial gas wells. Two additional wells were being drilled at year end.

In 1980, the start up of a new Lake Erie gas treatment plant and gathering system was responsible for boosting the Company's Ontario gas production to 23 million cubic feet per day at year end.

**Personnel.** The large number of new customers added during the year imposed a challenging workload on the Company's employees. They responded enthusiastically and with dedication while maintaining the Company's good relationships with customers at a high level.

## Consolidated Statement of Income

Hiram Walker-Consumers Home Ltd.

| | Year ended September 30 1980 | 1979 |
|---|---|---|
| | (Expressed in thousands except per share amounts) | |
| Revenue | | |
| Distilled spirits | **$1,417,175** | $1,318,904 |
| Natural resources | **231,279** | — |
| Gas utility | **859,054** | 812,897 |
| Other (note 6) | **55,941** | 12,429 |
| | **2,563,449** | 2,144,230 |
| Costs and expenses | | |
| Cost of sales and operations | | |
| Distilled spirits | **847,195** | 806,479 |
| Natural resources | **82,915** | — |
| Gas utility | **695,600** | 656,396 |
| Selling and general | **362,041** | 300,855 |
| Depreciation and depletion | **86,050** | 45,290 |
| Interest on long term debt | **66,588** | 48,020 |
| Other interest | **51,319** | 27,051 |
| | **2,191,708** | 1,884,091 |
| Income before income taxes and undernoted items | **371,741** | 260,139 |
| Income taxes | | |
| Current | **90,523** | 83,368 |
| Deferred (note 8) | **40,399** | 9,998 |
| | **130,922** | 93,366 |
| Income before undernoted items | **240,819** | 166,773 |
| Equity in earnings of Home Oil Company Limited | **9,910** | 10,462 |
| Foreign currency translation gain (loss) | **(5,195)** | 3,173 |
| Minority interest | **(6,012)** | (3,244) |
| Net income | **$ 239,522** | $ 177,164 |
| Net income per common share | | |
| Basic | **$ 3.18** | $ 2.56 |
| Fully diluted | **$ 3.01** | $ 2.52 |
| Weighted average number of common shares outstanding | **68,465** | 68,205 |

# Consolidated Balance Sheet

Hiram Walker-Consumers Home Ltd.

**Assets**

| | September 30 | |
|---|---|---|
| | **1980** | 1979 |
| | (Expressed in thousands) | |
| Current assets | | |
| Cash and short term investments | **$ 86,149** | $ 97,017 |
| Accounts receivable | **353,281** | 275,744 |
| Inventories (note 4) | **978,241** | 835,847 |
| Prepaid expenses | **34,618** | 24,550 |
| | **1,452,289** | 1,233,158 |
| Investments (note 5) | **134,113** | 296,070 |
| Property, plant and equipment (note 6) | **2,382,310** | 1,260,136 |
| Accumulated depreciation and depletion | **405,443** | 373,315 |
| | **1,976,867** | 886,821 |
| Other assets and deferred charges | **47,391** | 31,398 |
| | **$3,610,660** | $2,447,447 |

Approved by the Board:
W. P. Wilder, Director
A. R. Poyntz, Director

## Liabilities and Shareholders' Equity

| | September 30 1980 | 1979 |
|---|---|---|
| | (Expressed in thousands) | |
| Current liabilities | | |
| Loans and notes payable | **$ 450,122** | $ 234,930 |
| Income and other taxes | **45,011** | 53,081 |
| Accounts payable and accruals | **321,369** | 213,667 |
| Dividends payable | **29,742** | 7,521 |
| Current portion of long term debt | **71,112** | 10,533 |
| | **917,356** | 519,732 |
| Deferred production revenue | **10,129** | — |
| Long term debt (note 7) | **671,354** | 546,103 |
| Deferred income taxes (note 8) | **290,049** | 137,916 |
| Minority interest | **35,949** | 25,491 |
| Preference shares of a subsidiary company (note 9) | **84,400** | 88,000 |
| Shareholders' equity | | |
| Capital stock (notes 10 and 11) | | |
| Preference shares | **374,092** | 31,227 |
| Common shares | **151,132** | 147,311 |
| Retained earnings | **1,079,975** | 957,536 |
| | **1,605,199** | 1,136,074 |
| Deduct common shares held by Trustees at cost | **3,776** | 5,869 |
| | **1,601,423** | 1,130,205 |
| | **$3,610,660** | $2,447,447 |

## Consolidated Statement of Changes in Financial Position

Hiram Walker-Consumers Home Ltd.

| | Year ended September 30 1980 | 1979 |
|---|---|---|
| | (Expressed in thousands) | |
| Funds were obtained from | | |
| Operations | $ 364,755 | $231,145 |
| Issue of long term debt | 81,123 | 95,058 |
| Issue of preference and common shares | 347,018 | 40,172 |
| | 792,896 | 366,375 |
| Funds were used for | | |
| Acquisition of Home Oil Company Limited, including working capital deficiency of $25,740,000 | 438,688 | — |
| Investment in Home Oil Company Limited | — | 58,790 |
| Property, plant and equipment | 301,316 | 103,527 |
| Reduction in long term debt | 102,225 | 23,235 |
| Dividends | 111,853 | 62,815 |
| Investments and other assets | 597 | 31,361 |
| Other items, net | 16,710 | 3,949 |
| | 971,389 | 283,677 |
| Increase (decrease) in working capital | $(178,493) | $ 82,698 |

## Consolidated Statement of Retained Earnings

Hiram Walker-Consumers Home Ltd.

| | Year ended September 30 1980 | 1979 |
|---|---|---|
| | (Expressed in thousands) | |
| Balance at beginning of year | | |
| As previously reported | $ 973,498 | $ 849,500 |
| Change in accounting policy (note 3) | 15,962 | 6,431 |
| As restated | 957,536 | 843,069 |
| Net income | 239,522 | 177,164 |
| Other | 110 | 328 |
| | 1,197,168 | 1,020,561 |
| Deduct | | |
| Dividends | | |
| Preference shares | 21,597 | 2,496 |
| Common shares | 90,256 | 60,319 |
| Share issue expenses, net of income taxes | 5,340 | 210 |
| | 117,193 | 63,025 |
| Balance at end of year | $1,079,975 | $ 957,536 |

### 1. Summary of significant accounting policies

The Company's accounting policies, which conform with accounting principles generally accepted in Canada, are summarized below:

*Principles of consolidation.* The consolidated financial statements include the accounts of Hiram Walker-Gooderham & Worts Limited accounted for under the pooling of interests method of accounting whereby the financial statements are presented as if the companies had been combined since their inception. The accounts of all other significant subsidiaries have been included since dates of acquisition. Financial statements for the fiscal year ending August 31 are used for Hiram Walker-Gooderham & Worts Limited.

*Foreign currency translation.* Current assets, except maturing inventories, and current liabilities are translated to Canadian dollars using the exchange rates at the dates of the balance sheets. Maturing inventories and other assets and liabilities are translated at the rates in effect at the time the original transactions took place. Revenue and expense items (excluding matured inventories charged to cost of sales, depreciation and depletion, all of which are translated at the rate of exchange applicable to the related asset) are translated using the average rates of exchange throughout the period. Translation gains and losses are included in income.

*Inventories.* Inventories are stated at amounts not exceeding manufactured or purchased cost. They include substantial quantities of whiskies and cognac which will remain in storage over a period of years, but which are classified as current assets in accordance with the general practice of the distilling industry.

*Investments.* Investments in joint venture companies and companies over which the Company exercises significant influence are accounted for on the equity method. Other investments are stated at cost.

*Property, plant and equipment.* Property, plant and equipment is stated at cost except for gas utility plant and equipment acquired prior to 1956 which is carried at a 1955 appraised value of $41,000,000. The appraisal increment is included in retained earnings. Cost as it pertains to gas utility plant and equipment includes capitalized interest and overhead during construction.

Normal retirements of assets are recorded by relieving the asset account for the cost of the asset and charging this amount, net of any proceeds, to accumulated depreciation or depletion. Upon retirement or sale of major items of property, the asset accounts are relieved of the cost of such property together with accumulated depreciation or depletion. The difference between the depreciated value of such major items and the proceeds, if any, is included in income.

Maintenance and repair expenditures are charged to cost of production or other expense accounts. Costs of improvements which increase the service capacity or prolong the service life of the asset are capitalized.

Depreciable property, plant and equipment (except for certain petroleum and mining equipment) is depreciated on a straight line basis at rates varying from 2½% to 5% for buildings, 1.6% to 6.1% for utility plant and 4% to 33⅓% for other equipment. Production equipment used in petroleum and mining operations is depreciated using the unit of production method.

The Company follows the full cost method of accounting for oil and gas operations whereby all costs of exploring for and developing oil and gas and related reserves are capitalized and charged against earnings. Capitalized costs include land acquisition costs, geological and geophysical expense, carrying charges of non-producing property, costs of drilling both productive and non-productive wells and overhead expense related to exploration activities. A separate cost centre is established for each country in which the Company is engaged in exploration and production activities and for the Athabasca Oil Sands. Such costs are depleted using the unit of production method based upon estimated

proven developed reserves, as determined by company engineers. Costs of acquiring and evaluating significant unproved properties and costs of major development projects are excluded from the computation of depletion until such time as additional reserves are proved, the project is completed, or an impairment in value has occurred.

Mining exploration costs are charged to earnings as incurred (included in depletion) until such time as the presence of economically recoverable reserves is established. Subsequent expenditures are capitalized and charged to earnings using the unit of production method.

Substantially all of the resource related activities of the Company are conducted jointly with others and accordingly these financial statements reflect only the Company's proportionate interests in such activities.

*Pension plans.* The Company has various pension plans covering a majority of its employees. The plans, certain of which require contributions by participating employees, provide pension benefits at normal retirement age. Unamortized prior service costs for these plans are being funded and charged to operations over periods varying from 15 to 30 years.

*Income taxes.* Deferred income taxes are provided for all significant timing differences in reporting income and expenses for financial statement and tax purposes except in regulated gas utility operations when rate and revenue structures are designed and approved not to recover deferred taxes in current revenues. The timing differences arise principally from the excess of exploration and development expenditures claimed for tax purposes over amounts provided for depletion in the financial statements, from differences in accounting and tax depreciation and from special tax-deductible inventory reserves in France and the United Kingdom.

Tax-deductible inventory reserves are related to increases in the carrying value of the inventories. In the United Kingdom, tax deferred in a particular year due to an increase in inventories is forgiven after six years if inventories do not decline in that period. The Company provides for deferred tax each year after considering the magnitude of current and prior years' inventory changes and the years remaining before the related taxes may be forgiven.

No provision has been made for taxes on undistributed earnings of subsidiaries not currently available for paying dividends inasmuch as such earnings have been reinvested in the businesses.

## 2. Business combinations

*(a) Hiram Walker-Gooderham & Worts Limited*

On April 9, 1980, the Company and Hiram Walker-Gooderham & Worts Limited combined their businesses in a transaction accounted for using the pooling of interests method of accounting. The combination was effected through the issue of 1.375 common shares of the Company for each Hiram Walker share. The Company will issue a maximum of 47,629,462 common shares in exchange for all of the 34,644,976 Hiram Walker shares outstanding.

Summarized below are the results of operations of the two companies from the start of the fiscal year to April 1, 1980, the effective date of the combination, and the net assets of the two companies as at the effective date.

| | Hiram Walker-Gooderham & Worts Limited | Hiram Walker-Consumers Home Ltd.* | Combined |
|---|---|---|---|
| | (unaudited) | (unaudited) | (unaudited) |
| **Operating Data** | | | |
| Revenue | $ 764,635 | $ 653,168 | $1,417,803 |
| Net income | $ 77,725 | $ 54,154 | $ 131,879 |
| **Balance Sheet** | | | |
| Total assets | $1,340,349 | $1,874,782 | $3,215,131 |
| Total liabilities | 466,751 | 1,160,693 | 1,627,444 |
| Minority interest | 24,033 | 9,202 | 33,235 |
| Net assets | $ 849,565 | $ 704,887 | $1,554,452 |

*Formerly The Consumers' Gas Company.

*(b) Home Oil Company Limited*

Effective December 31, 1979, Home Oil Company Limited became a wholly-owned subsidiary when the Company acquired all the outstanding shares of Home which it did not already own. The acquisition has been accounted for as a purchase. From the effective date of the acquisition, the accounts of Home Oil have been consolidated with those of the Company. Prior thereto, the Company accounted for its investment in Home using the equity method of accounting.

The net assets acquired and consideration given as at December 31, 1979, are summarized below:

| | |
|---|---|
| Total assets | $999,583 |
| Less: | |
| Total liabilities | 372,502 |
| Minority interest | 8,192 |
| | 618,889 |
| Net assets acquired prior to December 31, 1979 | 210,220 |
| Net assets acquired as at December 31, 1979 | $408,669 |
| Consideration | |
| Cash | $ 65,177 |
| 13,739,667 7½% Convertible Voting Preference Shares, Group 5, First Series, par value $25.00 | 343,492 |
| | $408,669 |

(c) The following table summarizes the pro forma results of Company operations as if the Home acquisition had been consummated October 1, 1979.

| | Year ended September 30, 1980 |
|---|---|
| | (unaudited) |
| Revenue | $2,648,452 |
| Net income | $ 250,656 |
| Basic net income per common share | $ 3.25 |

**3. Change in accounting policy**

Effective with the acquisition of Home Oil Company Limited the Company modified its full cost method of accounting for its oil and gas properties whereby a separate cost centre is established for each country as outlined in the summary of significant accounting policies. Under the method previously used, Canada and the United States were included together as one North American cost centre. The retroactive application of the change resulted in a cumulative reduction in retained earnings as at October 1, 1978 of $6,431,000 and a charge against equity in earnings of Home in 1979 of $9,531,000.

**4. Inventories**

| | September 30 1980 | September 30 1979 |
|---|---|---|
| Finished goods | $130,100 | $105,395 |
| Natural gas in storage | 180,518 | 169,058 |
| Maturing whiskies and cognac | 565,026 | 495,885 |
| Raw materials and supplies | 102,597 | 65,509 |
| | $978,241 | $835,847 |

**5. Investments**

| | September 30 1980 | September 30 1979 |
|---|---|---|
| Companies accounted for on the equity method: | | |
| Home Oil Company Limited | $ – | $176,782 |
| Other | 38,576 | 22,331 |
| Other investments | 95,537 | 96,957 |
| | $134,113 | $296,070 |

Other investments includes approximately $51,000,000 representing a 12% interest in the Bacardi group of companies.

**6. Property, plant and equipment**

| | September 30 1980 | | September 30 1979 | |
|---|---|---|---|---|
| | Asset | Accumulated depreciation and depletion | Asset | Accumulated depreciation and depletion |
| Business segments | | | | |
| Distilled spirits | $ 406,438 | $183,507 | $ 402,995 | $210,202 |
| Natural resources | 1,020,510 | 36,393 | – | – |
| Gas utility | 955,362 | 185,543 | 857,141 | 163,113 |
| | $2,382,310 | $405,443 | $1,260,136 | $373,315 |

At September 30, 1980, natural resource properties included $173,674,000 relating to unproved properties which, in accordance with the Company's accounting policy, are excluded from depletion calculations until such time as the properties are evaluated.

In 1979 the Company announced plans to phase out its manufacturing and bottling

facilities in Peoria, Illinois by the end of 1981. Estimated costs of $22,900,000 related to this closing were provided for in fiscal 1979 and included in the statement of income for that year as a deduction from other revenue.

## 7. Long term debt

| | Maturity | September 30 1980 | 1979 |
|---|---|---|---|
| **Hiram Walker-Consumers Home Ltd.** | | | |
| First Mortgage Sinking Fund Bonds (1) | | | |
| 5½% to 11½% (weighted average interest rate 9.58%) | 1983 to 1996 | $192,413 | $200,133 |
| First Mortgage Sinking Fund Bonds (1) | | | |
| 4.85% to 8% (weighted average interest rate 6.62%) (U.S. $25,436,000) | 1985 to 1993 | 29,767 | 30,455 |
| Sinking Fund Debentures (5) | | | |
| 6½% to 10.45% (weighted average interest rate 9.23%) | 1981 to 1999 | 249,289 | 259,181 |
| Other | | 219 | 124 |
| **Hiram Walker-Gooderham & Worts Limited** | | | |
| Debentures | | | |
| 9⅞% | 1980 | 20,000 | 20,000 |
| 9½% (U.S. $30,000,000) | 1980 | 34,707 | 30,608 |
| 11¼% bank loan (U.K. £4,000,000) | 1982 to 1987 | 10,306 | – |
| Other | | 11,758 | 16,135 |
| **Home Oil Company Limited** | | | |
| 11.50% secured bonds (2) | 1986 | 8,625 | – |
| 6.25% collateral trust bonds (3) | 1983 | 3,000 | – |
| 9.50% debentures (U.S. $21,953,000) | 1986 | 25,644 | – |
| 9.875% unsecured debentures | 1998 | 60,000 | – |
| 7.25% subordinated debentures | 1988 | 11,267 | – |
| Revolving bank term loan (4) | 1988 | 70,675 | – |
| Bank production loan (U.S. $900,000) (4) | 1983 | 1,053 | – |
| Other | | 13,743 | – |
| | | 742,466 | 556,636 |
| Less amounts due within one year | | 71,112 | 10,533 |
| | | $671,354 | $546,103 |

1. The First Mortgage Sinking Fund Bonds rank pari passu and are secured by a first fixed and specific mortgage, a pledge and charge on gas utility assets and a first floating charge on certain other assets.

2. Secured by mortgages on various producing properties.

3. Secured by term deposits.

4. Secured by accounts receivable, inventory and certain oil and gas leases.

5. Effective July 16, 1980, the interest rate on certain issues was increased by one-half of one percent per annum as a result of certain amendments to the Trust Indentures under which they were issued.

The estimated amount of long term debt maturities and sinking fund requirements for the five years subsequent to September 30, 1980 are as follows:

**1981,** $71,112,000; **1982,** $34,132,000; **1983,** $46,619,000; **1984,** $37,199,000; **1985,** $53,246,000.

**8. Deferred income taxes**

Included in the deferred income tax provision is a credit of $9,300,000 (1979 – $11,800,000) representing release of deferred income taxes related to stock appreciation relief in the United Kingdom. The balance of such deferred income taxes accrued at September 30, 1980 was $43,200,000 and $37,200,000 at September 30, 1979.

Accumulated deferred income taxes not recovered in revenues from gas utility operations and therefore not recorded in the accounts, amounted to $136,000,000 at September 30, 1980 and $122,300,000 at September 30, 1979.

**9. Preference shares of a subsidiary company**

Dividends are payable on $46,000,000 of First Preference Shares at an annual rate of one-half of the published prime lending rate plus 1¼% and on $38,400,000 of Second Preference Shares at an annual rate of one-half of the published prime lending rate plus 1%. Annual redemption requirements are $2,000,000 to 1982, $6,000,000 to 1985 and $8,000,000 to 1988 for the First Preference Shares and $1,600,000 to 1982, $4,800,000 to 1985 and $6,400,000 to 1988 for the Second Preference Shares. Under certain circumstances the parent company may be required to purchase these shares.

**10. Capital stock**

**Preference Shares**

Authorized (issuable in series)
- Group 1 – 125,037 shares of $100 each
- Group 2 – 5,889,600 shares of $25 each
- Group 3 – 7,733,358 shares of $20 each
- Group 4 – 20,000,000 shares of $25 each
- Group 5 – 19,993,255 shares of $25 each
- Group 6 – 1,959,521,770 shares of $0.02 each

| | September 30 | | | |
|---|---|---|---|---|
| | 1980 | | 1979 | |
| | Shares | Amount | Shares | Amount |
| Outstanding | | | | |
| Group 1 | | | | |
| 5½% cumulative, Series A, redeemable at a premium of 1% | 37,121 | $ 3,712 | 38,411 | $ 3,841 |
| 5½% cumulative, Series B, redeemable at a premium of 1% | 66,641 | 6,664 | 68,037 | 6,804 |
| 5% cumulative, Series C, redeemable at a premium reducing from 2% to 1% | 21,275 | 2,128 | 21,375 | 2,138 |
| Group 3 | | | | |
| 9% cumulative, First Series, convertible into common shares at $15.00 per share up to November 1, 1984, redeemable at varying premiums reducing from $1.40 | 733,358 | 14,667 | 922,225 | 18,444 |
| Group 5 | | | | |
| 7½% cumulative, voting, First Series, convertible into common shares at $28.00 per share up to December 31, 1989, redeemable at varying premiums reducing from $1.875 | 13,876,829 | 346,921 | – | – |
| | | $374,092 | | $31,227 |

**Common Shares**

| | September 30 | |
|---|---|---|
| | 1980 | 1979 |
| Authorized | 100,582,292 | 75,324,484 |
| Outstanding (including shares held by Trustees) | 68,899,823 | 68,787,657 |

**Changes in Capital Stock**

| | Preference Shares | | Common Shares | |
|---|---|---|---|---|
| | Shares | Amount | Shares | Amount |
| Balance at beginning of year | | $ 31,227 | 68,787,657 | $147,311 |
| Issued on acquisition of Home Oil | 13,739,667 | 343,492 | | |
| Issued on exercise of Home Oil stock options | 143,907 | 3,597 | | |
| Conversion of preference to common | (195,612) | (3,945) | 257,808 | 3,945 |
| Shares held by a subsidiary company and fractional shares cancelled on combination with Hiram Walker | | | (154,802) | (234) |
| Issued under the Restricted Stock Option Plan, for cash | | | 9,160 | 110 |
| Redeemed for cash | (2,786) | (279) | | |
| Balance at end of year | | $374,092 | 68,899,823 | $151,132 |

**11. Stock options**

Under the terms of the Restricted Stock Option Plan, options are outstanding on 29,190 shares at $12.00 per share. These options expire on July 5, 1982.

Hiram Walker-Gooderham & Worts Limited has a stock option plan for certain key employees. Shares to satisfy the outstanding options are purchased on the open market by Trustees. Options outstanding are exercisable at various dates to 1989 at prices ranging from $9.64 to $18.89. At September 30, 1980, options were outstanding for 427,223 shares of Hiram Walker-Consumers Home Ltd. The cost of shares held by the Trustees (and prior to the combination the cost of shares held by a subsidiary) have been deducted from Shareholders' Equity in the consolidated balance sheet. Shares held at the balance sheet dates were 253,855 in 1980 and 529,988 in 1979.

At September 30, 1980, the Company is obligated to issue up to 297,931 Group 5 Preference Shares in satisfaction of Home employees stock options exercisable until 1989 for an average option price of $13.92.

On October 1, 1980, the Directors of the Company adopted, subject to shareholder approval, a Share Option Plan, whereby 4,136,850 common shares of the Company were reserved for issuance upon exercise of options granted under the plan. On October 20, 1980, 737,000 options were granted to certain key employees of the Company and its subsidiaries and affiliated companies at an exercise price of $35.25, the quoted market value of the common shares on the date of grant.

## 12. Business segments

The operations of the Company consist of three business segments: distilled spirits, natural resources and gas utility. Information for the natural resources segment is shown for the nine months ended September 30, 1980. Previously this segment was accounted for on an equity basis and included in the identifiable assets of the gas utility segment.

| 1980 | Canada | United States | Other (principally Europe) | Eliminations | Consolidated |
|---|---|---|---|---|---|
| **Operating revenue** | | | | | |
| Distilled spirits | | | | | |
| Customers | $ 165,844 | $ 951,365 | $299,966 | $ – | $1,417,175 |
| Inter-company | 96,003 | – | 77,601 | (173,604) | – |
| Natural resources | 146,037 | 85,242 | – | – | 231,279 |
| Gas utility | 818,757 | 40,297 | – | – | 859,054 |
| | $1,226,641 | $1,076,904 | $377,567 | $(173,604) | $2,507,508 |
| **Operating income** | | | | | |
| Distilled spirits | $ 49,850 | $ 112,422 | $ 94,775 | $ (6,120) | $ 250,927 |
| Natural resources | 74,584 | 17,490 | – | – | 92,074 |
| Gas utility | 88,004 | 2,702 | – | – | 90,706 |
| Total before undernoted items | $ 212,438 | $ 132,614 | $ 94,775 | $ (6,120) | 433,707 |
| Interest | | | | | (117,907) |
| Income taxes | | | | | (130,922) |
| Equity and other income | | | | | 65,851 |
| Foreign currency translation loss | | | | | (5,195) |
| Minority interest | | | | | (6,012) |
| | | | | | $ 239,522 |
| **Identifiable assets** | | | | | |
| Distilled spirits | $ 366,412 | $ 386,392 | $698,118 | $ (10,888) | $1,440,034 |
| Natural resources | 870,812 | 222,410 | 7,158 | – | 1,100,380 |
| Gas utility | 1,051,957 | 18,289 | – | – | 1,070,246 |
| | $2,289,181 | $ 627,091 | $705,276 | $ (10,888) | $3,610,660 |
| **Capital expenditures** | | | | | |
| Distilled spirits | $ 7,820 | $ 22,308 | $ 21,370 | | $ 51,498 |
| Natural resources | 81,165 | 60,355 | 4,617 | | 146,137 |
| Gas utility | 101,784 | 1,897 | – | | 103,681 |
| | $ 190,769 | $ 84,560 | $ 25,987 | | $ 301,316 |

Inter-company sales between geographic areas are at approximate market prices.

| 1979 | Canada | United States | Other (principally Europe) | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Operating revenue | | | | | |
| Distilled spirits | | | | | |
| Customers | $ 147,801 | $887,344 | $283,759 | $ — | $1,318,904 |
| Inter-company | 84,066 | — | 53,513 | (137,579) | — |
| Gas utility | 786,410 | 26,487 | — | — | 812,897 |
| | $1,018,277 | $913,831 | $337,272 | $(137,579) | $2,131,801 |
| Operating income | | | | | |
| Distilled spirits | $ 35,874 | $ 98,135 | $ 92,044 | $ 2,382 | $ 228,435 |
| Gas utility | 89,408 | 4,938 | — | — | 94,346 |
| Total before undernoted items | $ 125,282 | $103,073 | $ 92,044 | $ 2,382 | 322,781 |
| Interest | | | | | (75,071) |
| Income taxes | | | | | (93,366) |
| Equity and other income | | | | | 22,891 |
| Foreign currency translation gain | | | | | 3,173 |
| Minority interest | | | | | (3,244) |
| | | | | | $ 177,164 |
| Identifiable assets | | | | | |
| Distilled spirits | $ 367,280 | $323,489 | $614,232 | $ (8,140) | $1,296,861 |
| Gas utility | 1,133,531 | 17,055 | — | — | 1,150,586 |
| | $1,500,811 | $340,544 | $614,232 | $ (8,140) | $2,447,447 |
| Capital expenditures | | | | | |
| Distilled spirits | $ 13,357 | $ 5,664 | $ 13,000 | | $ 32,021 |
| Gas utility | 70,714 | 792 | — | | 71,506 |
| | $ 84,071 | $ 6,456 | $ 13,000 | | $ 103,527 |

Inter-company sales between geographic areas are at approximate market prices.

## Auditors' Report

To the Shareholders of Hiram Walker-Consumers Home Ltd.

We have examined the consolidated balance sheets of Hiram Walker-Consumers Home Ltd. as at September 30, 1980 and 1979 and the consolidated statements of income, retained earnings and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at September 30, 1980 and 1979 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change in accounting for oil and gas operations as explained in note 3 to the financial statements, on a consistent basis.

Toronto, Canada
November 19, 1980

Thorne Riddell    Price Waterhouse & Co.
Chartered Accountants

## Financial Review

Management's discussion and analysis of consolidated summary of operations

The 1980 financial statements of Hiram Walker – Consumers Home Ltd. represent the consolidation of three businesses that have fundamentally different business and financial characteristics. Both the 1980 and 1979 figures consolidate the operating results of the Distilled Spirits and Gas Utility segments. The Natural Resource segment contains the results of operations for the nine months to September 30, 1980. Prior to that the interest in Home Oil Company Limited was accounted for by the equity method. The inclusion of Home Oil's results on a consolidated basis for the first time in 1980 means that the consolidated figures are not comparable between 1979 and 1980.

**Distilled spirits.** The volume of goods sold in 1980 showed no increase over 1979. The increase of 7.5 per cent in sales dollars resulted from higher prices and from the sales of the European subsidiaries being translated into Canadian dollars at higher rates due to the increased strength of European currencies. These factors, together with a reduction in excise tax on bottled goods imported into the United States, led to higher gross margins in 1980.

Selling and general expenses were increased by inflation during the year and also by the higher translation rates for expenses in Europe. Operating income as a percentage of revenue increased from 17.3 per cent in 1979 to 17.7 per cent in 1980.

The increase in value of finished goods is attributable to both higher quantities and higher costs, but the increase in the carrying values of maturing inventories is due, almost entirely, to higher costs and translation rates.

Capital expenditures during the year amounted to $51.5 million. The major items of expenditure related to the construction of the cordial plant at Fort Smith, Arkansas and to the new bottling facilities in Scotland.

**Gas utility.** Despite an unprecedented number of new customer additions, mainly in the residential category, sales volumes declined in 1980 over 1979 by 17.5 billion cubic feet. This decline was caused mainly by weather which was warmer, on average, in 1980, than 1979, increasing customer conservation measures, a decline in the business economy, particularly in the automotive and related business sectors, and the lower sales to the R. L. Hearn electric generating station.

Sales revenues increased as a result of rate increases during the year to recover upstream increases in the price of natural gas aggregating 45 cents per thousand cubic feet as well as an annual increase in revenues of $15.6 million, effective October 1, 1979, to cover operating and other cost increases. Operation and maintenance costs increased by $10 million over the 1979 level reflecting the cost of increased activities resulting from the large number of customer additions. Staff additions and overtime, higher wage levels, and resulting related payroll costs accounted for most of the increase.

Depreciation increased by $2.3 million as a direct result of the capital expenditures made in 1980 to service the high customer demand. Investment in property, plant and equipment increased by over $103 million. This level of investment, together with a decline in cash flow from operations, caused a significant increase in the level of borrowings and consequent interest expenses.

**Natural resources.** The revenues for the nine months to September 30, 1980 increased by some 30 per cent over the equivalent period of 1979. The volumes of crude oil sold during the two periods remained constant and gas sales declined. The average price received for crude oil increased by 19 per cent and that for gas by 39 per cent. The revenues from LPG marketing and storage increased by 22 per cent, largely as a result of the strength of the market in the U.S.A. Sales of gold during the period were approximately the same as the corresponding period of 1979 and sales of silver increased by some 23 per cent. The average price received for these two commodities more than doubled, leading to sharply higher revenues. The overall costs increased significantly due mainly to inflation. During the period under review $144 million dollars of exploration and development expenditures were capitalized.

## Five year review — operating results

| | **1980** | 1979 | 1978 | 1977 | 1976 |
|---|---|---|---|---|---|
| | | | (Expressed in thousands) | | |
| Revenue | | | | | |
| Distilled spirits | **$1,417,175** | $1,318,904 | $1,129,107 | $ 898,402 | $ 871,469 |
| Natural resources | **231,279** | — | — | — | — |
| Gas utility | **859,054** | 812,897 | 737,400 | 644,764 | 518,052 |
| Other | **55,941** | 12,429 | 25,714 | 13,560 | 13,712 |
| | **2,563,449** | 2,144,230 | 1,892,221 | 1,556,726 | 1,403,233 |
| Costs and expenses | | | | | |
| Cost of sales and operations | | | | | |
| Distilled spirits | **847,195** | 806,479 | 715,031 | 576,217 | 569,058 |
| Natural resources | **82,915** | — | — | — | — |
| Gas utility | **695,600** | 656,396 | 589,465 | 507,074 | 400,670 |
| Selling and general | **362,041** | 300,855 | 255,033 | 213,205 | 193,157 |
| Depreciation and depletion | **86,050** | 45,290 | 38,518 | 34,697 | 33,723 |
| Interest on long term debt | **66,588** | 48,020 | 44,654 | 40,520 | 35,599 |
| Other interest | **51,319** | 27,051 | 14,262 | 13,252 | 15,184 |
| | **2,191,708** | 1,884,091 | 1,656,963 | 1,384,965 | 1,247,391 |
| Income before income taxes and undernoted items | **371,741** | 260,139 | 235,258 | 171,761 | 155,842 |
| Income taxes | | | | | |
| Current | **90,523** | 83,368 | 82,272 | 70,647 | 45,100 |
| Deferred | **40,399** | 9,998 | 16,934 | 9,486 | 24,436 |
| | **130,922** | 93,366 | 99,206 | 80,133 | 69,536 |
| Income before undernoted items | **240,819** | 166,773 | 136,052 | 91,628 | 86,306 |
| Equity in earnings of Home Oil Company Limited | **9,910** | 10,462 | 11,890 | 9,038 | 6,856 |
| Foreign currency translation gain (loss) | **(5,195)** | 3,173 | 8,764 | 15,709 | (3,142) |
| Minority interest | **(6,012)** | (3,244) | (2,328) | (1,965) | (1,690) |
| Net Income | **$ 239,522** | $ 177,164 | $ 154,378 | $ 114,410 | $ 88,330 |

## Five year review – operating statistics

| |
|---|
| **Distilled spirits** |
| Gross revenue less excise taxes and import duties (millions of dollars) |
| **Natural resources** |
| Gross wells drilled[1] (working interest wells) |
| Net oil wells |
| Net gas wells |
| Net dry wells |
| Crude oil and natural gas liquids production[1] (barrels per day) |
| Natural gas sales[1] (millions of cubic feet per day) |
| Gross proven reserves |
| Crude oil and natural gas liquids (millions of barrels) |
| Natural gas (billions of cubic feet) |
| Daily average gatherings[1] (barrels) |
| Cremona Pipe Line Division |
| Federated Pipe Lines Ltd. |
| **Gas utility** |
| Gas supply and sendout (millions of cubic feet) |
| Natural gas purchased |
| Natural gas produced |
| Total gas supply |
| Gas into storage |
| Gas out of storage |
| Total gas sendout |
| Gas sales to customers (millions of cubic feet) |
| Residential |
| Commercial |
| Industrial and other |
| Total sales |
| Used by company |
| Unbilled and unaccounted for |
| |
| Maximum daily sendout (thousands of cubic feet) |
| Minimum daily sendout (thousands of cubic feet) |
| Average daily sendout (thousands of cubic feet) |
| Degree day deficiency[2] |
| Number of active customers |
| Cost to customers (average revenue per thousand cubic feet) |
| Residential |
| Commercial |
| Industrial and other |
| Average use per residential customer (thousands of cubic feet) |

[1]1980 figures for the nine months ended September 30.

[2]Degree day deficiency figures given, expressed in Celsius, are those for the Toronto area. The deficiency is a measure of coldness during the heating season and is calculated by adding together the total number of degrees by which the daily mean temperature fell below 18° C on those days when it did so. One degree day in Celsius is equal to 1.8 degree day in Fahrenheit.

| 1980 | 1979 | 1978 | 1977 | 1976 |
|---|---|---|---|---|
| **$1,008** | $905 | $764 | $586 | $548 |
| | | | | |
| **268** | 351 | 349 | 166 | 134 |
| **27** | 29 | 24 | 10 | 5 |
| **29** | 45 | 38 | 25 | 20 |
| **23** | 17 | 26 | 17 | 19 |
| **30,487** | 31,094 | 30,685 | 33,613 | 34,959 |
| **130.3** | 137.3 | 125.7 | 115.2 | 119.2 |
| | | | | |
| **119.5** | 122.7 | 125.7 | 129.4 | 140.8 |
| **929.3** | 940.5 | 895.0 | 785.3 | 758.6 |
| | | | | |
| **31,956** | 36,365 | 37,480 | 41,386 | 40,978 |
| **217,538** | 228,663 | 232,812 | 247,612 | 262,559 |
| | | | | |
| **281,870** | 312,077 | 316,739 | 321,494 | 308,376 |
| **4,384** | 3,636 | 3,588 | 2,011 | 1,622 |
| **286,254** | 315,713 | 320,327 | 323,505 | 309,998 |
| **(68,860)** | (71,106) | (63,980) | (65,522) | (51,456) |
| **72,835** | 62,004 | 55,327 | 61,772 | 51,055 |
| **290,229** | 306,611 | 311,674 | 319,755 | 309,597 |
| | | | | |
| **73,756** | 73,519 | 74,174 | 73,265 | 65,935 |
| **101,663** | 101,156 | 101,431 | 101,407 | 93,835 |
| **110,637** | 128,921 | 133,970 | 143,992 | 147,007 |
| **286,056** | 303,596 | 309,575 | 318,664 | 306,777 |
| **360** | 369 | 378 | 383 | 424 |
| **3,813** | 2,646 | 1,721 | 708 | 2,396 |
| **290,229** | 306,611 | 311,674 | 319,755 | 309,597 |
| **1,734,500** | 1,781,200 | 1,755,800 | 1,673,000 | 1,589,700 |
| **241,400** | 256,500 | 252,600 | 243,100 | 320,300 |
| **793,000** | 840,000 | 853,000 | 876,000 | 846,000 |
| **4,040** | 4,246 | 4,434 | 4,355 | 4,026 |
| | | | | |
| **630,747** | 588,178 | 558,598 | 534,828 | 511,177 |
| | | | | |
| **$3.54** | $3.18 | $2.86 | $2.46 | $2.09 |
| **$2.79** | $2.57 | $2.30 | $1.98 | $1.64 |
| **$2.56** | $2.26 | $2.01 | $1.71 | $1.41 |
| **130.4** | 137.8 | 145.4 | 150.3 | 141.4 |

# Senior officers

## Hiram Walker-Gooderham & Worts Limited

H. Clifford Hatch, Chairman

A. E. Downing, President

R. J. Tebbs, Senior Vice President

J. P. Ferguson, Vice President and Treasurer

J. A. Giffen, Vice President

H. Clifford Hatch, Jr., Vice President

R. M. Kippen, Secretary

R. E. Taylor, Comptroller

E. T. Slater, Director of Financial Planning

## Principal subsidiary companies

O. R. Crabbe, President, Hiram Walker Incorporated, Detroit, Michigan

C. John New, Executive Vice President, Hiram Walker & Sons Limited, Toronto, Ontario

L. A. Bardsley, President, Hiram Walker (International) S.A., Montreux, Switzerland

W. S. McCann, Managing Director, Hiram Walker & Sons (Scotland) Limited, Dumbarton, Scotland

V. Baron, Managing Director, Hiram Walker, S.A., Buenos Aires, Argentina

J. D. N. Ford, Managing Director, Courvoisier Limited, Jarnac, France

Miss Maria Gutierrez, General Manager, Kahlua, S.A., Mexico City, Mexico

R. W. Stevens, President, Maidstone Wine & Spirits Inc., Los Angeles, California

J. F. Murphy, President, W. A. Taylor & Company, Miami, Florida

G. L. Watt, Jr., President, Frederick Wildman & Sons Limited, New York, N.Y.

## Home Oil Company Limited

A. M. McIntosh, President

J. H. Geddes, Group Vice President, Operations

W. H. Waddell, Group Vice President, Exploration

H. Alfaro, Vice President, Oil and Gas Production

D. E. Deakin, Vice President, Finance

Guy Lokhorst, Vice President, Mining

R. G. Watkins, Vice President, Corporate Development

T. S. Hoar, Corporate Secretary

E. Jorgensen, Treasurer

G. K. Palmer, Comptroller

J. A. Petty, Assistant Treasurer

## Home Petroleum Corporation

R. L. Billings, Executive Vice President and Chief Operating Officer

D. L. Brite, Vice President, Exploration

G. B. Sullaway, Jr., Vice President, Operations

J. R. Moore, Vice President, Marketing

K. L. Wiley, Vice President, Administration

## Consumers' Gas

R. W. Martin, Executive Vice President, Utility Operations

J. L. Aiken, Senior Vice President, Accounting and Regulation

R. S. Lougheed, Senior Vice President, Gas Supply and Development

A. R. MacKenzie, Senior Vice President, Administration

C. F. Safrance, Senior Vice President, Operations

J. I. Cuthill, Vice President, Exploration and Storage

S. M. Ferris, Vice President, Human Resources

T. E. Gieruszczak, Vice President, Administrative Services

G. J. Hills, Vice President, Budgets and Rates

R. I. Jones, Vice President, Consulting Services

N. B. Loberg, Vice President, Marketing

G. N. Milburn, Vice President, Regions

G. T. Waugh, Vice President and Comptroller

### Executive office

Suite 4200, 1 First Canadian Place
P.O. Box 90, Toronto, Ontario M5X 1C5
Telephone (416) 492-5900

### Auditors

Price Waterhouse & Co.
Thorne Riddell

### Stock exchange listings

Common shares — Toronto, Montreal, Alberta, Vancouver, New York

7½% Convertible Voting Preference Shares;
9% Convertible Preference Shares;
5½% Preference Shares, Series A and B — Toronto, Montreal

Market price per common share — Toronto Stock Exchange

| | High | | Low | |
|---|---|---|---|---|
| Fiscal | **1980** | 1979 | **1980** | 1979 |
| 1st Quarter | **27⅞** | 19¾ | **21¾** | 17⅛ |
| 2nd Quarter | **31½** | 22 | **23¼** | 18⅜ |
| 3rd Quarter | **29¾** | 25 | **24** | 20¾ |
| 4th Quarter | **34¼** | 28 | **26¼** | 22¼ |

### Form 10-K

The Company files a Form 10-K Annual Report with the United States Securities and Exchange Commission. A copy of this report will be made available, without charge, to interested shareholders upon written request to The Secretary, Hiram Walker-Consumers Home Ltd., Suite 4200, 1 First Canadian Place, P.O. Box 90, Toronto, Ontario, M5X 1C5.

### Registrar and Transfer Agents

Common Shares
Canada Permanent Trust Company
20 Eglinton Avenue West, Toronto
M4R 2E2 and in Halifax, Montreal, Calgary and Vancouver
Morgan Guaranty Trust Company,
New York

9% Convertible Preference Shares,
The Canada Trust Company
110 Yonge Street, Toronto M5C 1T4
and in Halifax, Montreal, Winnipeg, Regina, Calgary and Vancouver

7½% Convertible Preference Shares;
5% and 5½% Preference Shares,
Canada Permanent Trust Company
20 Eglinton Avenue West, Toronto
M4R 2E2 and in Halifax, Montreal, Calgary and Vancouver

### Trustee and Registrar

Bonds
5½%, 4.85%, 8⅝%, 8%, 8¾%, 9⅛%, 11⅜%, 11½% and 10⅞%
First Mortgage Sinking Fund Bonds
Canada Permanent Trust Company
20 Eglinton Avenue West, Toronto
M4R 2E2

Debentures
7%, 6½%, 6¾%, 6⅝% and 8½%
Sinking Fund Debentures
Crown Trust Company
P.O. Box 38
1 First Canadian Place, Toronto M5X 1G4

8⅝%, 9.60% and 10.45% Sinking Fund Debentures
National Trust Company, Limited
21 King Street East, Toronto M5C 1B3

6½% Convertible Sinking Fund Debentures
The Royal Trust Company
Royal Trust Tower
Toronto-Dominion Centre, Toronto
M5W 1P9

### Metric conversion

Canada is in the process of converting units of measure from the traditional system to a metric base, known as the International System of Units (SI). Pending more widely-based public acceptance and understanding of SI units, however, operating results are in traditional units throughout this report. The following table will assist in the translation to SI units.

### Conversion factor

| | |
|---|---|
| 1 mile | = 1.609 kilometres |
| 1 foot | = 0.305 metres |
| 1 cubic foot | = 0.028 cubic metres (natural gas) |
| 1 barrel | = 0.159 cubic meters (petroleum liquids) |
| 1 acre | = 0.405 hectares |

### Principal operating subsidiaries and units

Hiram Walker-Gooderham & Worts Limited
Corby Distilleries Limited (53% owned)
Courvoisier Limited
Hiram Walker & Sons, Inc.
Hiram Walker & Sons Limited
Hiram Walker & Sons (Scotland) Limited
Kahlua, S.A.
Maidstone Wine & Spirits, Inc.
W. A. Taylor & Company
Home Oil Company Limited
Home Petroleum Corporation
Scurry-Rainbow Oil Limited (88.5% owned)
Westcoast Oil and Gas Corp. (88.5% owned)
The Consumers' Gas Company
Niagara Gas Transmission Limited
St. Lawrence Gas Company, Inc.
Société Gazifère de Hull, Inc.
Tecumseh Gas Storage Limited (50% owned)
Underwater Gas Developers Limited

### Annual Meeting

The Annual and General Meeting of Shareholders of Hiram Walker-Consumers Home Ltd. will be held in the Ballroom of the Hotel Toronto, 145 Richmond Street West, Toronto, Ontario, on Wednesday, February 4, 1981, at 10:30 a.m.

Printed in Canada